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SUBJECT: MACEDONIA: EASTERN BORDER REGION'S ECONOMIC WOES

SUMMARY

11. (SBU) In the last several years, economically depressed rural eastern Macedonia has become Macedonia's main source of internal victims of trafficking-in-persons (TIP), a trend that is driven largely by the dire economic circumstances there. The January 2007 introduction of a visa requirement for travel to Bulgaria as part of its EU membership requirements has choked off cross-border commercial opportunities for the majority of petty traders in the region. Compounding the problem, central government ownership of all municipal land hinders future development prospects. End summary.

ONCE PROSPEROUS REGION SUFFERS FROM NEGLECT AND MISMANAGED PRIVATIZATION

12. (U) In a series of meetings in May and June with mayors from the four main municipalities in eastern Macedonia (Kriva Palanka, Delcevo, Pehcevo and Berovo), PolOff discussed key challenges facing municipal governments in this rural and underdeveloped part of the country. Once a region with a robust mining sector, light industry and vibrant agriculture, Eastern Macedonia is now economically depressed and has experienced a steep decline in population.

13. (SBU) Unemployment among the almost 60,000 residents of the wider region ranges between 30-70%. Questionable privatization deals in the 1990s are blamed for the demise of the big textile, furniture, farming and other companies. Even though some new, smaller textile plants have opened recently, employment opportunities are few, especially for males and for those with a university education. Facing bleak prospects at home, many look for seasonal agricultural work in western Europe, a difficult task for those without a Schengen visa. Local NGO studies indicate that economic troubles also have led to a rise in the number of internal TIP victims from eastern Macedonia, who are trafficked to the relatively more prosperous central and western parts of the country.

BULGARIAN VISAS -- THE "NEW IRON CURTAIN"?

14. (SBU) Self-employed petty traders (and smugglers) from eastern Macedonia used to travel freely to Bulgaria to buy inexpensive merchandise for sale in Macedonia. Since Bulgaria's January 2007 accession to the EU and the immediate

introduction of visas for Macedonian citizens, however, customs officials at the Berovo border crossing confirmed "a drastic drop," by about 80%, in the number of people crossing the border. All four mayors argued that the introduction of the Bulgarian visa requirement has had devastating consequences for the region. Even though all Bulgarian visas (except for student visas) are issued free of charge, the mayors complained that complicated application procedures have led to what one mayor called "the new Iron Curtain" for Macedonia. (NOTE: In a June conversation with PolOff, Bulgarian Ambassador to Macedonia Mihov dismissed the complaints of the mayors as unfounded. He referred to a March 2 Bulgarian Embassy order that grants liberalized issuance of free multiple entry visas to people from 14 municipalities within 50 km from the Macedonian-Bulgarian border. END NOTE.)

15. (SBU) Bulgarian Ambassador Mihov rejected outright the oft-quoted number of 100,000 Macedonians who have received Bulgarian passports in an effort to seek economic opportunity in Bulgaria. (NOTE: According to Bulgarian legislation, foreign nationals can apply for Bulgarian citizenship if they can prove "Bulgarian heritage." For historical reasons, a large number of citizens of Macedonia, Moldova and Turkey have been able to provide documents proving their "Bulgarian heritage" in order to receive Bulgarian passports. END NOTE). He did acknowledge, however, that "not more than 20,000 Macedonians" are dual Bulgarian citizens, about half of whom, he believes, have pursued Bulgarian citizenship for economic reasons.

MAYORS' TOP PRIORITIES -- BORDER CROSSINGS FOR TOURISM AND TRADE DEVELOPMENT

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16. (SBU) As their highest priorities, the mayors of Pehcevo and Berovo cited the opening of new border crossings with Bulgaria as critical for the economic development of the region. Armed with details on specific infrastructure projects, the mayors said they expected new crossing points would bring in tourists and businesses from Bulgaria and other EU countries. Macedonian media also have reported similar economic initiatives by Bulgarian mayors on the other side of the border. In contrast to the high hopes of the mayors, however, Bulgarian Ambassador Mihov downplayed the likelihood of enhanced economic development as a result of the new border crossings, referring to those expectations as "impractical and unrealistic."

LACK OF MUNICIPAL LAND OWNERSHIP HAMPERS DEVELOPMENT

17. (SBU) In addition to the lack of transborder travel and trade opportunities, the mayors complained about the Macedonian government's exclusive ownership of municipal land. According to the 1995 Law on Local Self-Government, all municipal land is owned by the central government, which the mayors said "robs the municipalities" of revenue from forest exploitation and land development. A common refrain among mayors of all political stripes throughout Macedonia, the land ownership issue is seen as a sign that the central government has retained for itself the rights to economically promising real estate, while the municipalities have been saddled with unfunded responsibilities.

COMMENT

18. (SBU) Feeble economic growth and uncertain future prospects in eastern Macedonia suggest the region will

continue to be a source of economic out-migration and internal TIP movements. The mayors' hopes for future prosperity based on the opening of new border crossings with Bulgaria and resolution of the land ownership issue are, however, unlikely to bring adequate economic development to the region. As long as eastern Macedonia is plagued by poor infrastructure (including deficient road/rail networks) and a relatively small manufacturing base, expanded trade with Bulgaria likely will only help solve part of the problem.

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